

40. Unclaimed Monies

Unclaimed salaries and wages of Health Services are paid to the credit of the Department of Industrial Relations and Employment in accordance with the provisions of the Industrial Arbitration Act, 1940, as amended.

All money and personal effects of patients which are left in the custody of Health Services by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of health services.

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund, which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

41. Budget Review (Consolidated)

Net Cost of Services

The actual Net Cost of Services of \$10.352 billion was at variance with the budget by \$98 million. The following variations were not recognised in the budget:

	\$M
• Superannuation costs for defined contribution schemes.	20
• Increase in Recreation Leave Provisions due to salary increase of 4 per cent from July 2007 in accordance with Australian Accounting Standard measurement criteria	37
• Expensing of Capital Projects that do not satisfy criteria for recognition as assets	59
• Westmead Millennium Institute revenues which were not anticipated	(15)
• Expenses/Revenues incurred and recognised	(3)
	98

Result for the Year

The Result for the Year is derived as the difference between the above Net Cost of Services result and the amounts injected by Government for recurrent services, capital works and superannuation/long service leave costs:

	\$M
• Variation from budget for Net Cost of Services as detailed above	98
• Additional recurrent appropriation	21
• Asset Sale Proceeds Transferred to the Crown	(9)
• Crown acceptance of employee liabilities	(20)
	90

Assets and Liabilities

Net assets increased by \$186 million from budget. This included the following variations: \$M

• The restatement of Property, Plant and Equipment, Intangibles and Assets Held for Sale per independent asset valuations, additional capital funding and a variation in asset sales	246
• Increase in Leave Provisions due mainly to awards and actuarial assessment of accumulated leave entitlements	(122)
• Increase in Receivables	31
• Increase in Current Payables	(42)
• Increase in Cash/Other Financial Assets	27
• Increase in Inventories	7
• Decrease in Borrowings	7
• Decrease in Other Liabilities	32
	186

Cash Flow

Cash Flows from Operating Activities

- Payments – 2006/07 total payments exceeded the budget by \$202 million which reflects \$59 million for expensing of items funded from a capital source that do not satisfy the recognition of asset criteria and other variations dominated by the increase in grant payments of \$147 million. The increased payments were sourced from increased Revenue/Cash at Bank or through the increase in Accounts Payable (\$42 million).
- Receipts – 2006/07 total revenue receipts were \$220 million more than budget estimates due principally to the increased revenues of \$252 million reported in the Operating Statement adjusted for the effects of increased receivables.

Cash Flows from Government

The movement of \$12 million in Cash Flows from Government results from reductions in funding, eg on protected allocations such as Awards.

CONSOLIDATED

42. Financial Instruments

(a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Department of Health's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised, at the (consolidated) Balance Sheet date of 30 June are as follows:

Financial instruments	Fixed interest rate maturing in:						Total carrying amount as per the Balance Sheet		
	Floating interest rate	1 year or less		Over 1 to 5 years		Non-interest bearing		2007	2006
	2007	2007	2006	2007	2006	2007	2006	\$000	\$000
Financial Assets									
Cash	556,770	542,974	179,530	83,125	-----	-----	619	740	736,919
Receivables	-----	54,387	-----	-----	-----	-----	270,409	201,662	270,409
Shares	2,363	3,055	-----	-----	-----	-----	-----	-----	2,363
Other Loans and Deposits – T Corp	165,882	176,550	-----	-----	-----	-----	-----	-----	165,882
Other Loans and Deposits – Other	-----	7,359	1,763	46,705	398	-----	-----	-----	2,161
Total Financial Assets	725,015	784,325	181,293	129,830	398	-----	271,028	202,402	1,177,734
Financial Liabilities									
Borrowings – Bank Overdraft	-----	8,850	-----	-----	-----	-----	-----	-----	8,850
Borrowings – Other	7,276	35,801	-----	3,236	-----	14,198	14,969	-----	36,443
Accounts Payable	-----	-----	-----	-----	-----	-----	750,671	711,272	750,671
Total Financial Liabilities	7,276	44,651	-----	3,236	-----	14,198	765,640	711,272	787,114

(b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract/or financial position failing to discharge a financial obligation thereunder. The Department of Health's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the consolidated Balance Sheet.

Credit Risk by classification of counterparty.

42. Financial Instruments	Governments		Banks		Patients		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets										
Cash	136,722	189,354	416,156	289,383	-----	-----	184,041	148,102	736,919	626,839
Receivables	61,864	79,973	68	19	75,970	57,381	132,507	118,676	270,409	256,049
Shares	277	3,055	-----	-----	-----	-----	2,086	-----	2,363	3,055
Other Loans and Deposits	168,043	176,550	-----	-----	-----	-----	-----	54,064	168,043	230,614
Total Financial Assets	366,906	448,932	416,224	289,402	75,970	57,381	318,634	320,842	1,177,734	1,116,557

The only significant concentration of credit risk arises in respect of patients ineligible for free treatment under the Medicare provisions. Receivables from this source totalled \$13.886 million at balance date.

(c) Derivative Financial Instruments

The Department of Health holds no Derivative Financial Instruments.

43. Increase/Decrease in Net Assets from Administrative Restructure

Note 2 (v) comments on the transfer of the Breast Screening and Cervical Screening programs to the Cancer Institute NSW in 2005/06. Details of the equity transfers at a consolidated level are as follows:

	2007 \$000	2006 \$000
Assets		
Cash	(6,792)
Property, Plant and Equipment		
- Plant and Equipment	(81)
Liabilities		
Provisions	596
Net Assets/Equity	(6,277)

The Cash assets above of \$6.792 million less the amount relating to provisions (\$0.596 million), is \$6.196 million as per the Cash Flow Statement.

The NSW Institute of Medical Education and Training was established and reported as part of the Health Administration Corporation (HAC) with effect from 1 September 2005. This administrative restructure had no effect on the parent entity or the consolidated entity as all transactions were previously reported by the Northern Sydney Central Coast Area Health Service which, together with HAC are consolidated by the NSW Department of Health.

In 2005/06 Plant and Equipment with a carrying value of \$1.159 million and Software with a carrying value of \$23.635 million transferred from the Department to HAC in respect of the operations of the HealthTechnology unit.

In 2006/07 the Parent effected transfers to HealthTechnology (computer assets \$2.076 million) and HealthSupport (Linen Service property \$1.750 million). Further, with the transfer of responsibility for the operation of linen services from Health Services to HealthSupport transfers of \$58.881 million occurred.

However all 2006/07 equity transfers were intra Health only and there has been no change in equity at a consolidated level.

44. Prior Period Errors

The Department of Health identified the following prior period errors during the year. All comparative balances impacted by these prior period errors have been restated to include the effect of the errors.

- (1) As a result of an actuarial review commissioned by the Department in 2006/07, it was determined that annual leave liability was understated in previous years due to non-inclusion of on costs payable upon settlement of the liability. The effects of this error were that opening equity as at 1 July 2005 was overstated by \$110.310 million, liabilities as at 30 June 2006 were understated by \$125.112 million and the result for the 2006 financial year was overstated by \$14.802 million.
- (2) The consolidated financial report for 2006 included transactions and balances of various Health Professional Registration Boards which were excluded from the Parent Entity on the basis that the Department does not exercise control over the Boards. The net effects of this error were that equity at 1 July 2005 and 30 June 2006 were overstated by \$7.764 million. Revenues and expenditures for the year ended 30 June 2006 were both overstated by \$6.484 million.
- (3) In prior years, the South Eastern Sydney Illawarra Area Health Service incorrectly recognised as assets car parks that the Health Service will acquire under privately financed projects. The Health Service does not obtain control or ownership of these car parks until the end of the contract term. The effects of this error were that, at 1 July 2005, property, plant and equipment were overstated by \$51.199 million, asset revaluation reserves were overstated by \$27.084 million, accumulated funds were overstated by \$14.804 million and 'right to receive' assets were understated by \$9.311 million. In addition, at 30 June 2006, property plant and equipment were overstated by \$51.199 million, asset revaluation reserves were overstated by \$27.084 million, accumulated funds were overstated by \$13.335 million and the right to receive assets were understated by \$10.780 million. The result for the year ended 2006 was understated by \$1.469 million.

- (4) In the 2006 financial year, Sydney West Area Health Service incorrectly deferred the recognition of a \$15 million grant from the Commonwealth. This grant should have been recognised as revenue in that year.

The effects of this error were that liabilities were overstated by \$15.0 million as at 30 June 2006, and revenue and the result for the year then ended were understated by the same amount.

- (5) At 30 June 2006, NSW Department of Health understated its liability to ACT Health arising from ACT Health's treatment of NSW public health patients. This liability was the subject of arbitration and, in September 2007, the arbitrators ruled in favour of ACT Health.

The effects of this ruling were that the Department's liabilities as at 30 June 2006, and its expenses for the year then ended, were understated by \$6.840 million. The result for the 2006 year was overstated by the same amount.

- (6) In previous years, the parent entity incorrectly expensed immunisation stocks at the time of purchase. This was inconsistent with the group's accounting policy.

The effects of this error were that equity and inventories as at 1 July 2005 were understated by \$20,518. In addition, inventory at 30 June 2006 was understated by \$31.529 million and expenditure for the year ended 30 June 2006 was overstated by \$11.011 million. The 2006 result was understated by \$11.011.

45. Other Changes in Accounting Policy

In June 2006 NSW Treasury issued an accounting policy on the measurement of emerging assets "Accounting for Privately Financed Projects" – TPP 06-08. TPP 06-08 mandates the use of the HOTARAC approach for the valuation of emerging assets for public sector entities. From the commencement of the Privately Financed Projects (PFP'S), the Sydney South West Area Health Service used the TERV approach to value the emerging assets arising.

The adoption of the HOTARAC approach results in the financial report providing more reliable and more relevant information about the effects of the transactions on the entity's financial position and financial performance.

In accordance with TPP 06-08, where the fair value of the right to receive infrastructure increases or decreases, the movement is to be recognised as a revaluation in accordance with Accounting Standard AASB 116 Property, Plant and Equipment as if the right were an item of property to which the standard applied.

The revised policy had the effect of overstating Accumulated Funds and Other Non-Current Assets by \$10.582 million as at 30 June 2005.

46. After Balance Date Events

The Department of Health has sought court consideration of the trust arrangements pertaining to Graythwaite Hospital.

The court requested that interested parties submit "cy pres" schemes for consideration and the Department duly sought applications by way of newspaper advertisement.

The court will consider submissions lodged including that offered by the Department and determine the best use of the site, commensurate with the conditions initially attached to the site by the donor.

The outcome of the decision is unknown and may affect the carrying value of the asset within the Department's accounting records.

Independent Audit Report

Health Administration Corporation

for the year ended 30 June 2007



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

HEALTH ADMINISTRATION CORPORATION AND ITS CONTROLLED ENTITY

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Health Administration Corporation (the Corporation) and the Corporation and its controlled entity (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the operating statement, statement of recognised income and expense and cash flow statement for the year then ended, program statement - expenses and revenues, and a summary of significant accounting policies and other explanatory notes. The consolidated entity comprises the Corporation and the entity it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation and the consolidated entity as at 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

The Director-General's Responsibility for the Financial Report

The Director-General of the Department of Health is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does not provide assurance:

- about the future viability of the Corporation or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting these audits, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



J Rheir B Ec FCPA
Director, Financial Audit Services

3 December 2007
SYDNEY

Certification of Accounts

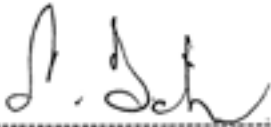
Health Administration Corporation

for the year ended 30 June 2007

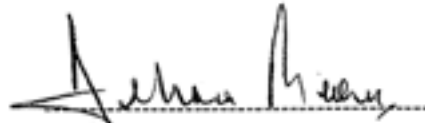
CERTIFICATE OF ACCOUNTS

Pursuant to Section 45(F) of the Public Finance and Audit Act 1983 (the Act), we state that:

- (i) The attached financial statements of the Health Administration Corporation for the year ended 30 June 2007 have been prepared in accordance with the requirements of applicable Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AEIFRS), the requirements of the Public Finance and Audit Act 1983, and its regulations and Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act and the requirements of the Health Administration Act 2000, and its regulations.
- (ii) The financial statements present fairly the financial position and transactions of the parent and the consolidated entity.
- (iii) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Ken Barker
Chief Financial Officer



Debora Picone
Director-General

29 November 2007

Statement of recognised income and expense

Health Administration Corporation

for the year ended 30 June 2007

Actual 2007 \$000	PARENT Budget 2007 \$000	Actual 2006 \$000	Notes	CONSOLIDATED		
				Actual 2007 \$000	Budget 2007 \$000	Actual 2006 \$000
-----	-----	41,296	29	-----	-----	41,296
-----	-----	41,296		-----	-----	41,296
14,181	11,500	34,326	29	14,181	11,500	34,326
14,181	11,500	75,622		14,181	11,500	75,622
-----	-----	34,795		-----	-----	34,795
-----	-----	(469)	36	-----	-----	(469)
-----	-----	34,326		-----	-----	34,326

The accompanying notes form part of these Financial Statements

Balance sheet

Health Administration Corporation

as at 30 June 2007

Actual 2007 \$000	PARENT Budget 2007 \$000	Actual 2006 \$000	Notes	CONSOLIDATED		
				Actual 2007 \$000	Budget 2007 \$000	Actual 2006 \$000
ASSETS						
Current Assets						
29,457	25,665	16,745	17	29,457	25,665	16,745
54,858	40,408	39,543	18	54,858	40,408	39,543
1,798	2,377	1,881	19	1,798	2,377	1,881
2,426	1,616	1,616	20	2,426	1,616	1,616
1,763	-----	-----	21	1,763	-----	-----
90,302	70,066	59,785		90,302	70,066	59,785
Total Current Assets						
Non-Current Assets						
652	-----	488	18	652	-----	488
6,173	6,096	-----	21	6,173	6,096	-----
Property, Plant and Equipment						
183,363	166,519	162,538	22	183,363	166,519	162,538
109,974	124,912	63,818	22	109,974	124,912	63,818
96	95	-----	22	96	95	-----
293,433	291,526	226,356		293,433	291,526	226,356
Total Property, Plant and Equipment						
51,619	46,080	46,080	23	51,619	46,080	46,080
Intangible Assets						
351,877	343,702	272,924		351,877	343,702	272,924
Total Non-Current Assets						
442,179	413,768	332,709		442,179	413,768	332,709
Total Assets						
LIABILITIES						
Current Liabilities						
57,769	40,459	42,745	25	57,769	40,459	42,745
3,420	965	16,711	26	3,420	965	16,711
121,468	111,154	96,415	27	121,468	111,154	96,415
2,424	1,164	968	28	2,424	1,164	968
185,081	153,742	156,839		185,081	153,742	156,839
Total Current Liabilities						
Non-Current Liabilities						
3,762	2,517	2,516	27	3,762	2,517	2,516
3,093	3,997	-----	26	3,093	3,997	-----
6,855	6,514	2,516		6,855	6,514	2,516
Total Non-Current Liabilities						
191,936	160,256	159,355		191,936	160,256	159,355
Total Liabilities						
250,243	253,512	173,354		250,243	253,512	173,354
Net Assets						
EQUITY						
41,296	97,728	41,296	29	41,296	97,728	41,296
208,947	155,784	132,058	29	208,947	155,784	132,058
Accumulated Funds						
250,243	253,512	173,354		250,243	253,512	173,354
Total Equity						

The accompanying notes form part of these Financial Statements

Cash flow statement

Health Administration Corporation

for the year ended 30 June 2007

Actual 2007 \$000	PARENT Budget 2007 \$000	Actual 2006 \$000		Notes	Actual 2007 \$000	CONSOLIDATED Budget 2007 \$000	Actual 2006 \$000	
			CASH FLOWS FROM OPERATING ACTIVITIES					
			Payments					
----	(365,338)	1,532	Employee Related		(343,676)	(365,338)	(86,103)	
(908)	(404)	(701)	Grants and Subsidies		(908)	(404)	(1,135)	
(121)	(73)	(6)	Finance Costs		(121)	(73)	(6)	
(539,304)	(181,729)	(158,383)	Other		(195,628)	(181,729)	(70,314)	
(540,333)	(547,544)	(157,558)	Total Payments		(540,333)	(547,544)	(157,558)	
			Receipts					
222,383	220,302	46,998	Sale of Goods and Services		222,383	220,302	46,998	
2,058	1,426	736	Interest Received		2,058	1,426	736	
15,434	10,225	7,239	Other		15,434	10,225	7,239	
239,875	231,953	54,973	Total Receipts		239,875	231,953	54,973	
			CASH FLOWS FROM GOVERNMENT					
315,896	315,895	89,707	NSW Department of Health Recurrent Allocations		315,896	315,895	89,707	
55,084	65,496	55,703	NSW Department of Health Capital Allocations		55,084	65,496	55,703	
----	----	(125)	Asset Sale Proceeds transferred to the NSW Department of Health		----	----	(125)	
370,980	381,391	145,285	Net Cash Flows from Government		370,980	381,391	145,285	
70,522	65,800	42,700	NET CASH FLOWS FROM OPERATING ACTIVITIES	32	70,522	65,800	42,700	
			CASH FLOWS FROM INVESTING ACTIVITIES					
503	----	2,541	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems		503	----	2,541	
1,930	----	----	Proceeds from Sale of Investments		1,930	----	----	
(50,831)	(42,132)	(30,941)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems		(50,831)	(42,132)	(30,941)	
(1,930)	----	----	Purchase of Investments		(1,930)	----	----	
----	----	(21,187)	Purchases of Intangibles		----	----	(21,187)	
4,175	----	----	Other		4,175	----	----	
(46,153)	(42,132)	(49,587)	NET CASH FLOWS FROM INVESTING ACTIVITIES		(46,153)	(42,132)	(49,587)	
			CASH FLOWS FROM FINANCING ACTIVITIES					
2,386	2,087	16,555	Proceeds from Borrowings and Advances		2,386	2,087	16,555	
(13,887)	(16,679)	(1,411)	Repayment of Borrowings and Advances		(13,887)	(16,679)	(1,411)	
(11,501)	(14,592)	15,144	NET CASH FLOWS FROM FINANCING ACTIVITIES		(11,501)	(14,592)	15,144	
12,868	9,076	8,257	NET INCREASE/(DECREASE) IN CASH		12,868	9,076	8,257	
16,589	16,589	803	Opening Cash and Cash Equivalents		16,589	16,589	803	
----	----	7,529	Cash Transferred in/(out) as a result of administrative restructuring		----	----	7,529	
29,457	25,665	16,589	CLOSING CASH AND CASH EQUIVALENTS	17	29,457	25,665	16,589	

The accompanying notes form part of these Financial Statements

Program statement – expenses and revenues

Health Administration Corporation

for the year ended 30 June 2007

CORPORATION'S EXPENSES AND REVENUES	Program 1.1 *		Program 1.2 *		Program 1.3 *		Program 2.1 *		Program 2.2 *		Program 2.3 *		Program 4.1 *		Program 5.1		Program *6.1 *		NOT ATTRIBUTABLE		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000		2007 \$000
Expenses excluding losses																						
Operating Expenses																						
Employee Related	1,172	463	42	21	6,813	537	314,283	85,118	25,258	2,123	3,414	294	7,140	655	5,780	484	356	114	7,608	3,388	371,866	93,197
Other Operating Expenses	2,822	2,788	183	164	7,908	4,563	127,205	38,685	35,058	17,447	5,667	3,431	4,690	2,584	3,828	2,886	949	1,649	4,119	3,167	192,429	77,364
Depreciation and Amortisation	845	58	34	2	2,965	128	17,395	4,243	9,469	449	1,450	66	1,309	74	1,663	85	219	14	571	82	35,920	5,201
Grants and Subsidies	-----	-----	-----	-----	-----	-----	380	97	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	476	1,038	856	1,135
Finance Costs	-----	-----	-----	-----	-----	-----	2	6	103	-----	16	-----	-----	-----	-----	-----	-----	-----	-----	-----	121	6
Total Expenses excluding losses	4,839	3,309	259	187	17,686	5,228	499,265	128,149	69,888	20,019	10,547	3,791	13,139	3,313	11,271	3,455	1,524	1,777	12,774	7,675	601,192	176,903
Revenue																						
Sale of Goods & Services	3,099	795	202	55	13,449	1,891	129,486	27,624	53,878	13,954	8,060	1,425	10,276	1,151	9,105	3,838	1,042	356	1,837	2,874	230,484	53,963
Investment Income	22	22	1	-----	85	30	1,250	376	345	111	52	16	64	14	56	31	7	9	137	126	2,019	735
Grants and Contributions	3	-----	-----	-----	49	-----	957	4,361	186	-----	26	-----	42	-----	39	-----	1	-----	28	33	1,331	4,394
Other Revenue	1	70	-----	4	133	128	8,017	1,473	568	340	67	66	121	47	112	141	-----	68	9	239	9,028	2,576
Total Revenue	3,125	887	203	59	13,716	2,049	139,710	33,834	54,977	14,405	8,205	1,507	10,503	1,212	9,312	4,010	1,050	433	2,011	3,272	242,812	61,668
Gain/(Loss) on Disposal	(86)	-----	(5)	-----	(446)	-----	(29)	259	(1,763)	-----	(260)	-----	(351)	-----	(314)	-----	(29)	-----	(74)	-----	(3,357)	259
Other Gains/(Losses)	-----	-----	-----	-----	-----	-----	(12,777)	(2,948)	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	(12,777)	(2,948)
Net Cost of Services	1,800	2,422	61	128	4,416	3,179	332,361	97,004	16,674	5,614	2,602	2,284	2,987	2,101	2,273	(555)	503	1,344	10,837	4,403	374,514	117,924
Government Contributions **	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	388,695	152,250
Result for the Year	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	14,181	34,326

* The name and purpose of each program is summarised in Note 16. The program statement utilises statistical data to 31 December 2006 to allocate current year's financial information to each program.

** Appropriations are made on an agency basis and not to individual program.

Notes to and forming part of the Financial Statements

Health Administration Corporation

for the year ended 30 June 2007

1. The Health Administration Corporation (HAC) Reporting Entity

From 17 March 2006 the Director General became responsible for providing health support services. Under Section 8A of the Health Administration Act she has determined that HAC may exercise this function.

Both Health Technology and the NSW Institute of Medical Education and Training were established as health support services under the Public Health System Support Division of the Health Administration Corporation (HAC) in accordance with the provisions of the Health Services Act. The units were established from 1 April 2005 and 1 September 2005 respectively. The unit "HealthSupport" was established on 1 November 2005 to provide Health Services with financial, payroll, linen, food and other health support services. Because of the limited extent of its operation in 2005/06 Treasury provided approval for HAC to commence reporting of HealthSupport in the 2006/07 year.

In prior years Ambulance Services were provided by a statutory corporation called the Ambulance Service of NSW, established under the Ambulance Service Act 1990. On 17 March 2006:

- The Act was repealed and The Corporation dissolved
- Its staff were transferred to the Crown under the description "The Ambulance Service of NSW division of the NSW Health Service"
- The function of providing ambulance services was transferred to the Director General
- The Director General has determined that HAC may exercise such functions.

HAC as a reporting entity also encompasses the Special Purposes and Trust Funds of these units which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by HAC. HAC is a not for profit entity.

With effect from 17 March 2006 fundamental changes to the employment arrangements of Health Services including those reported under HAC were made through amendment to the Public Sector Employment and Management Act 2002 and other Acts including the Health Services Act 1997. The status of the previous employees of HAC changed from that date. They are now employees

of the Government of New South Wales in the service of the Crown rather than employees of HAC. Employees of the Government are employed in Divisions of the Government Service.

In accordance with Accounting Standards these Divisions are regarded as special purpose entities that must be consolidated with the financial report of the related Health Service. This is because the Divisions were established to provide personnel services to enable a Health Service, including HAC, to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of HAC (as the parent entity), the financial report of the special purpose entity Division and the consolidated financial report for the economic entity. Notes have been extended to capture both the Parent and Consolidated values with Notes 3, 4, 11, 25, 27 and 32 being especially relevant.

Period of Operation

The 2005/06 values in the financial statements comprise twelve months figures for HealthTechnology, ten months figures for the NSW Institute of Medical Education and Training and three and a half months for the Ambulance Service of NSW. There are no comparatives for 2005/06 for HealthSupport, as the limited costs for that year were included in the parent statement of NSW Department of Health.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

These financial statements have been authorised for issue by the Chief Financial Officer and Director General on 29 November 2007.

2. Summary of Significant Accounting Policies

HAC's financial statements are a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AIFRS)), the requirements of the Health Services Act 1997 and its regulations including observation

of the Accounts and Audit Determination for Area Health Services and Public Hospitals.

Property, plant and equipment, and other assets held for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

Judgements, key assumptions and estimations made by management are disclosed in the relevant notes to the financial statements.

The financial statements and notes comply with Australian Accounting Standards which include AEIFRS.

Comparative figures are, where appropriate reclassified to give a meaningful comparison with the current year.

AASB-2007.04, Amendments to Australian Accounting Standards arising from ED151 and other amendments, has application for accounting periods commencing on or after 1 July 2007. The standard is not being early adopted in 2006/07 and the new options available in the standard will not be applied.

AASB123, Borrowing Costs, has application in reporting years beginning on or after 1 January 2009. The Standard, which requires capitalisation of Borrowing Costs has not been adopted in 2006/07 nor is adoption expected prior to 2009/10.

AASB101, Presentation of Financial Statements, has reduced the disclosure requirements for various reporting entities. However, in not for profit entities such as Health Services there is no change required.

AASB7, Financial Instruments Disclosures locates all disclosure requirements for financial instruments within the one standard. The Standard has application for annual reporting periods beginning on or after 1 January 2007. The Standard will not be early adopted and has no differential impact.

Other significant accounting policies used in the preparation of these financial statements are as follows:

- (a) Employee Benefits and Other Provisions
 - i) Salaries and Wages, Current Annual Leave, Sick Leave and On Costs (including non-monetary benefits)

At the consolidated level of reporting liabilities for salaries and wages (including non monetary benefits), annual leave and paid sick leave that fall wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further

classified as "Short-Term" or "Long-Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short-Term". On costs of 21.7 per cent are applied to the value of leave payable at 30 June 2007 inclusive of the 4 per cent award increase payable from 1 July 2007, such on costs being consistent with actuarial assessment.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of workers' compensation insurance premiums and fringe benefits which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. Consequential to the legislative changes of 17 March 2006 no salary costs or provisions are recognised by the Parent Entity beyond that date.

- ii) Long Service Leave and Superannuation Benefits

At the consolidated level of reporting Long Service Leave employee leave entitlements are dissected as "Current" if there is an unconditional right to payment and "Non Current" if the entitlements are conditional. Current entitlements are further dissected between "Short-Term" and "Long-Term" on the basis of anticipated payments for the next twelve months. This in turn is based on past trends and known resignations and retirements.

Long Service Leave provisions are measured on a short hand basis at an escalated rate of 8.1 per cent inclusive of the 4 per cent payable from 1 July 2007 for all employees with five or more years of service. Actuarial assessment has found that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

HAC's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. HAC accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 25, "Payables".

The superannuation expense for the financial year is determined by using the formulae specified by the NSW Department of Health. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and

State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Consequential to the legislative changes of 17 March 2006 no salary costs or provisions are recognised by the Parent Entity beyond that date.

iii) Other Provisions

Other provisions exist when the agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

(b) Insurance

HAC's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(c) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with Treasury's mandate for general government sector agencies.

(d) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services, ie user charges. User charges are recognised as revenue when the service is provided or by reference to the stage of completion.

Investment Income

Interest revenue is recognised using the effective interest method as set out in AASB139, "Financial Instruments: Recognition and Measurement".

Rental revenue is recognised in accordance with AASB117 "Leases" on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118 when HAC's right to receive payment is established.

Debt Forgiveness

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

Grants and Contributions

Grants and Contributions are generally recognised as revenues when HAC obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

NSW Department of Health Allocations

Payments are made by the NSW Department of Health on the basis of the allocation for HAC as adjusted for approved supplementations mostly for salary agreements, computer hardware/software acquisitions and approved enhancement projects, eg for rescue services. This allocation is included in the Operating Statement before arriving at the "Result for the Year" on the basis that the allocation is earned in return for the health services provided on behalf of the Department. Allocations are normally recognised upon the receipt of Cash.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- ▶ the amount of GST incurred by the Health Service as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- ▶ receivables and payables are stated with the amount of GST included.

(f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by HAC. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition except for assets transferred as a result of an administrative restructure. (See Note 2(r)).

Fair value means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where settlement of any part of cash consideration is deferred beyond normal credit terms, its cost is the cash price equivalent, ie the deferred payment amount is effectively discounted at an asset-specific rate.

Land and Buildings which are owned by the Health Administration Corporation or the State and administered by the Health Service (other than HealthTechnology, HealthSupport, the Institute of

Medical Education and Training and the Ambulance Service of NSW) are deemed to be controlled by the Health Service and are reflected as such in their financial statements.

(g) Plant and Equipment and Intangibles

Individual items of property, plant and equipment and intangibles are capitalised where their cost is \$10,000 or above. Prior to 1 July 2006 assets were recognised based on a value of \$5,000 or above.

(h) Depreciation

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to HAC. Land is not a depreciable asset.

Details of depreciation rates initially applied for major asset categories are as follows:

Buildings	2.5%
Electro Medical Equipment	
– Costing less than \$200,000	10.0%
– Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Infrastructure Systems	2.5%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	20.0%
Furniture, Fittings and Furnishings	5.0%
Ambulance Vehicles	11.75%
Trucks and Vans	20.0%

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

(i) Revaluation of Non Current Assets

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value".

This policy adopts fair value in accordance with AASB116, "Property, Plant AND Equipment" and AASB140, "Investment Property".

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence the asset's fair value is

measured at its market buying price, the best indicator of which is depreciated replacement cost.

HAC revalues Land and Buildings at minimum every three years by independent valuation and with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date. The last revaluation for assets for the Ambulance Service of NSW was completed on 31 May 2006 and was based on an independent assessment.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Result for the Year, the increment is recognised immediately as revenue in the Result for the Year.

Revaluation decrements are recognised immediately as expenses in the Result for the Year, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(j) Impairment of Property, Plant and Equipment

As a not-for-profit entity HAC is effectively exempted from AASB 136 Impairment of Assets and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

(k) Restoration Costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(l) Non Current Assets (or disposal groups)

Held for Sale

HAC has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

(m) Intangible Assets

HAC recognises intangible assets only if it is probable that future economic benefits will flow to HAC and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met. The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for HAC's intangible assets, the assets are carried at cost less any accumulated amortisation. HAC's intangible assets are amortised using the straight line method over a period of 5 years [for items of computer software]. In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity HAC is effectively exempted from impairment testing (see Note 2[j])

(n) Maintenance

Day to day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset in which case the costs are capitalised and depreciated.

(o) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

(p) Inventories Held for Distribution

Inventories are stated at cost. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

Obsolete items are disposed of in accordance with instructions issued by the NSW Department of Health.

(q) Other Financial Assets

Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs.

HAC subsequently measures financial assets classified as held for trading at fair value through profit or loss. Gains or losses on these assets are recognised in the Operating Statement. Assets intended to be held to maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses on impairment or disposal of these assets are recognised in the Operating Statement. Any residual investments that do not fall into any other category are accounted for as available for sale financial assets and measured at fair value directly in equity until disposed or impaired. All financial assets (except those measured at fair value through profit or loss) are subject to annual review for impairment.

Purchases or sales of financial assets under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date ie the date HAC commits itself to purchase or sell the assets.

(r) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated as a contribution by owners and is recognised as an adjustment to "Accumulated Funds".

Transfers arising from an administrative restructure between Health Services/government departments are recognised at the amount at which the asset was recognised by the transferor Health Service/ Government Department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

2006/07 Equity Transfer

The responsibility for the operation of Linen Services transferred to HealthSupport in 2006/07. This resulted in net assets of \$60.631 million being transferred from the Health Services and the Department of Health to HAC, under Section 126B of the Health Services Act. Information Technology assets of \$2.077 million were

also transferred from the Department in respect of services now provided by HealthTechnology.

2005/06 Equity Transfer

The establishment of HealthTechnology resulted in net assets and equity totalling \$24.894 million being transferred from the Department of Health to HAC. The establishment of the Institute of Medical Education and Training also resulted in the transfer of \$0.471 million from Northern Sydney Central Coast Area Health Service.

In addition, with the repeal of the Ambulance Service Act with effect from 17 March 2006 net assets of \$78.212 million transferred to HAC from the former Ambulance Service of NSW.

(s) Financial Instruments

Financial instruments give rise to positions that are a financial asset of either HAC or its counter party and a financial liability (or equity instrument) of the other party. For HAC these include cash at bank, receivables, other financial assets, payables and interest bearing liabilities.

In accordance with Australian Accounting Standard AASB139, "Financial Instruments: Recognition and Measurement" disclosure of the carrying amounts for each of the AASB139 categories of financial instruments is disclosed in Note 35. The specific accounting policy in respect of each class of such financial instrument is stated hereunder.

Classes of instruments recorded and their terms and conditions measured in accordance with AASB139 are as follows:

Cash

Accounting Policies – Cash is carried at nominal values reconcilable to monies on hand and independent bank statements.

Terms and Conditions – Monies on deposit attract an effective interest rate of 5.43 per cent to 6.05 per cent as compared to 5.23 per cent in the previous year.

Loans and Receivables

Loans and receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the entity will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

Terms and Conditions – Accounts are generally issued on 30-day terms.

Low or zero interest loans are recorded at fair value on inception and amortised cost thereafter. This includes various amounts owing to HAC by Health Services following the transfer of responsibility for the operation of linen services. Recovery will be affected in accordance with agreed terms for each Health Service and are due for repayment by 30 June 2014.

Trade and Other Payables

Accounting Policies – These amounts represent liabilities for goods and services provided to HAC. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to HAC.

Terms and Conditions – Trade liabilities are settled within any terms specified. If no terms are specified, payment is made by the end of the month following the month in which the invoice is received.

Borrowings

Bank Overdrafts are carried at the principal amount. Other loans are measured at amortised cost. Interest is charged as an expense as it accrues. Finance Lease Liability is accounted for in accordance with AASB117, "Leases".

Terms and Conditions – Bank Overdraft interest is charged at the bank's benchmark rate.

All financial instruments including revenue, expenses and other cash flows arising from instruments are recognised on an accruals basis.

(t) Borrowings

Non interest bearing loans within NSW Health are initially measured at fair value and amortised thereafter. All other loans are valued at amortised cost. The finance lease liability is determined in accordance with AASB117, "Leases".

(u) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Department of Health at the beginning of the financial reporting period and with any adjustments for the effects of additional supplementation provided.

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		3. Employee Related		
		Employee related expenses comprise the following:		
-----	3,776	Salaries and Wages	288,393	70,630
-----	39	Superannuation [see note 2(a)] – defined benefit plans	10,486	2,841
-----	391	Superannuation [see note 2(a)] – defined contributions	17,192	4,105
-----	440	Long Service Leave [see note 2(a)]	10,640	2,795
-----	441	Annual Leave [see note 2(a)]	32,819	8,699
-----	-----	Redundancies	10	12
-----	-----	Workers Compensation Insurance	12,171	3,502
-----	6	Fringe Benefits Tax	155	613
-----	5,093		371,866	93,197
		The following additional information is provided:		
-----	4,049	Employee Related Expenses capitalised – Plant and Equipment	6,022	4,049
		4. Personnel Services		
		Personnel Services comprise the purchase of the following:		
288,393	66,854	Salaries and Wages	-----	-----
10,486	2,802	Superannuation [see note 2(a)] – defined benefit plans	-----	-----
17,192	3,714	Superannuation [see note 2(a)] – defined contributions	-----	-----
10,640	2,355	Long Service Leave [see note 2(a)]	-----	-----
32,819	8,258	Annual Leave [see note 2(a)]	-----	-----
10	12	Redundancies	-----	-----
12,171	3,502	Workers Compensation Insurance	-----	-----
155	607	Fringe Benefits Tax	-----	-----
371,866	88,104		-----	-----
		5. Other Operating Expenses		
6,715	704	Domestic Supplies and Services	6,715	704
646	15	Food Supplies	646	15
3,540	355	Fuel, Light and Power	3,540	355
47,429	15,607	General Expenses (See (a) below)	47,429	15,607
43,520	23,701	Information Management Expenses	43,520	23,701
2,182	804	Insurance	2,182	804
		Maintenance (See (b) below)		
4,712	13,156	– Maintenance Contracts	4,712	13,156
6,829	3,261	– New/Replacement Equipment under Capitalisation threshold	6,829	3,261
12,947	3,748	– Repairs	12,947	3,748
116	1	– Maintenance/Non Contract	116	1
1,387	55	– Other	1,387	55
7,361	1,964	Medical and Surgical Supplies	7,361	1,964
7,585	1,756	Postal and Telephone Costs	7,585	1,756
1,368	546	Printing and Stationery	1,368	546
1,287	1	Rates and Charges	1,287	1
3,517	1,759	Rental	3,517	1,759
1,148	346	Staff Related Costs	1,148	346
38,523	9,059	Ambulance Aircraft Expenses	38,523	9,059
1,565	526	Travel Related Costs	1,565	526
52	-----	Special Service Departments	52	-----
192,429	77,364		192,429	77,364

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		(a) General Expenses include:		
322	141	Advertising	322	141
-----	151	Catering Costs	-----	151
-----	1,055	Contractors	-----	1,055
-----	169	Debt Collection	-----	169
-----	1,542	Fuel and Oil	-----	1,542
-----	1,943	Interstate Transport Refunds	-----	1,943
385	15	Books, Magazines and Journals	385	15
638	112	Legal Expenses	638	112
-----	467	Officers Uniforms	-----	467
1,205	607	Consultancies, Operating Activities	1,205	607
844	4	Courier and Freight	844	4
216	50	Auditor's Remuneration – Audit of financial reports	216	50
-----	106	Legal Services	-----	106
30	3	Membership/Professional Fees	30	3
19,986	5,157	Motor Vehicle Operating Lease Expense – minimum lease payments	19,986	5,157
252	280	Other Operating Lease Expense – minimum lease payments	252	280
-----	673	Relocation Costs	-----	673
8,235	186	Vehicle Registration/other Motor vehicle expenses	8,235	186
69	1	Payroll Services	69	1
154	16	Data Recording and Storage	154	16
15,093	2,929	Miscellaneous Expenses	15,093	2,929
47,429	15,607		47,429	15,607
		(b) Reconciliation Total Maintenance		
25,991	20,221	Maintenance expense – contracted labour and other (non employee related), included in Note 5	25,991	20,221
6,022	1,243	Employee related/Personnel Services maintenance expense included in Notes 3 and 4	6,022	1,243
32,013	21,464	Total maintenance expenses included in Notes 3, 4 and 5	32,013	21,464
		6. Depreciation and Amortisation		
6,749	1,693	Depreciation – Buildings	6,749	1,693
20,884	3,508	Depreciation – Plant and Equipment	20,884	3,508
8,287	-----	Amortisation – Intangible Assets	8,287	-----
35,920	5,201		35,920	5,201
		7. Grants and Subsidies		
569	97	Non Government Voluntary Organisations	569	97
287	1,038	Other	287	1,038
856	1,135		856	1,135
		8. Finance Costs		
121	6	Interest	121	6
121	6		121	6
		9. Sale of Goods and Services		
234	63	Fees for Medical Records	234	63
115,202	25,233	Patient Transport Fees	115,202	25,233
2,040	558	Use of Ambulance Facilities	2,040	558
161	39	Salary Packaging Fee	161	39
51,266	27,303	Shared Corporate Services	51,266	27,303
60,889	767	Other – Linen Service Revenues	60,889	767
642	-----	Other	642	-----
230,434	53,963		230,434	53,963

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		10. Investment Income		
1,409	583	Interest	1,409	583
610	152	Lease and Rental Income	610	152
2,019	735		2,019	735
		11. Grants and Contributions		
1,226	4,394	Industry Contributions/Donations	1,226	4,394
10,591	2,802	Other Grants	105	-----
11,817	7,196		1,331	4,394
		12. Other Revenue		
		Other Revenue comprises the following:		
219	35	Bad Debts recovered	219	35
51	65	Conference and Training Fees	51	65
10	-----	Sale of Merchandise	10	-----
6,844	-----	Treasury Managed Fund Hindsight Adjustment	6,844	-----
1,904	2,476	Other	1,904	2,476
9,028	2,576		9,028	2,576
		13. Gain/(Loss) on Disposal of Non Current Assets		
24,970	9,822	Property Plant and Equipment	24,970	9,822
(20,745)	(7,698)	Less Accumulated Depreciation	(20,745)	(7,698)
4,225	2,124	Written Down Value	4,225	2,124
(503)	(2,222)	Less Proceeds from Disposal	(503)	(2,222)
(3,722)	98	Gain/(Loss) on Disposal of Property Plant and Equipment	(3,722)	98
273	158	Assets Held for Sale	273	158
(638)	(319)	Less Proceeds from Disposal	(638)	(319)
365	161	Gain/(Loss) on Disposal of Assets Held for Sale	365	161
(3,357)	259	Total Gain/(Loss) on Disposal	(3,357)	259
		14. Other Gains/(Losses)		
(12,777)	(2,948)	Impairment of Receivables	(12,777)	(2,948)
(12,777)	(2,948)		(12,777)	(2,948)

PARENT AND CONSOLIDATED		
Purchase of Assets	Other	Total
\$000	\$000	\$000

15. Conditions on Contributions

Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date

Contributions recognised in previous years which were not expended in the current financial year

Total amount of unexpended contributions as at balance date

2	422	424
242	1,574	1,816
244	1,996	2,240

Comment on restricted assets appears in Note 24.

16 Programs/Activities of the Health Administration Corporation

Program 1.1 Primary and Community Based Services

Objective To improve, maintain or restore health through health promotion, early intervention, assessment, therapy and treatment services for clients in a home or community setting.

Program 1.2 Aboriginal Health Services

Objective To raise the health status of Aborigines and to promote a healthy life style.

Program 1.3 Outpatient Services

Objective To improve, maintain or restore health through diagnosis, therapy, education and treatment services for ambulant patients in a hospital setting.

Program 2.1 Emergency Services

Objective To reduce the risk of premature death and disability for people suffering injury or acute illness by providing timely emergency diagnostic, treatment and transport services.

Program 2.2 Overnight Acute Inpatient Services

Objective To restore or improve health and manage risks of illness, injury and childbirth through diagnosis and treatment for people intended to be admitted to hospital on an overnight basis.

Program 2.3 Same Day Acute Inpatient Services

Objective To restore or improve health and manage risks of illness, injury and childbirth through diagnosis and treatment for people intended to be admitted to hospital and discharged on the same day.

Program 3.1 Mental Health Services

Objective To improve the health, wellbeing and social functioning of people with disabling mental disorders and to reduce the incidence of suicide, mental health problems and mental disorders in the community.

Program 4.1 Rehabilitation and Extended Care

Objective To improve or maintain the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail aged and the terminally ill.

Program 5.1 Population Health Services

Objective To promote health and reduce the incidence of preventable disease and disability by improving access to opportunities and prerequisites for good health.

Program 6.1 Teaching and Research

Objective To develop the skills and knowledge of the health workforce to support patient care and population health. To extend knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		17. Current Assets – Cash and Cash Equivalents		
12,455	8,341	Cash at bank and on hand	12,455	8,341
17,002	8,404	Short Term Deposits	17,002	8,404
29,457	16,745		29,457	16,745
		Cash assets recognised in the Balance Sheet are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows:		
29,457	16,745	Cash and cash equivalents (per Balance Sheet)	29,457	16,745
-----	(156)	Bank overdraft *	-----	(156)
29,457	16,589	Closing Cash and Cash Equivalents (per Cash Flow Statement)	29,457	16,589
		* HAC divisions are not allowed to operate bank overdraft facilities. The amounts disclosed as "bank overdrafts" meet Australian Accounting Standards reporting requirements, however the relevant controlled divisions of HAC are in effect utilising and operating commercially available banking facility arrangements to their best advantage. The total of these facilities is a credit balance which is inclusive of cash at bank and investments.		
		18. Current/Non Current Receivables		
		Current		
12,952	167	(a) Sale of Goods and Services	12,952	167
24,963	17,749	Patient Transport fee	24,963	17,749
377	1,883	Leave Mobility	377	1,883
7,002	2,181	Goods and Services Tax	7,002	2,181
7,229	4,391	NSW Department of Health	7,229	4,391
3,167	2,971	Other Debtors	3,167	2,971
8,558	12,544	Intra Health	8,558	12,544
64,248	41,886	Sub Total	64,248	41,886
(15,629)	(11,842)	Less Allowance for impairment	(15,629)	(11,842)
48,619	30,044	Sub Total	48,619	30,044
6,239	9,499	Prepayments	6,239	9,499
54,858	39,543		54,858	39,543
		(b) Impairment of Receivables during the year		
8,990	2,771	– Current receivables, Sale of Good and Services	8,990	2,771
8,990	2,771		8,990	2,771
		Non Current		
652	488	Prepayments	652	488
652	488		652	488
		19. Inventories		
		Current – at cost		
-----	614	Uniform	-----	614
-----	285	Fuel and Oil	-----	285
627	621	Medical and Surgical Supplies	627	621
1,171	361	Motor Vehicle Parts and Other	1,171	361
1,798	1,881		1,798	1,881
		20. Non Current Assets Held for Sale		
2,426	1,616	Assets Held for Sale Land and Buildings	2,426	1,616
2,426	1,616		2,426	1,616
		21. Current/Non Current Assets – Other Financial Assets		
		Current		
1,763	-----	Advances Receivable – Intra Health	1,763	-----
		Non Current		
6,173	-----	Advances Receivable – Intra Health	6,173	-----

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		22. Property, Plant and Equipment		
		Land and Buildings		
337,349	287,202	Gross Carrying Amount	337,349	287,202
(153,986)	(124,664)	Less Accumulated depreciation and impairment	(153,986)	(124,664)
183,363	162,538	Net Carrying Amount at Fair Value	183,363	162,538
		Plant and Equipment		
210,604	112,303	Gross Carrying Amount	210,604	112,303
(100,630)	(48,485)	Less Accumulated depreciation and impairment	(100,630)	(48,485)
109,974	63,818	Net Carrying Amount at Fair Value	109,974	63,818
		Infrastructure Systems		
180	-----	Gross Carrying Amount	180	-----
(84)	-----	Less Accumulated depreciation and impairment	(84)	-----
96	-----	Net Carrying Amount at Fair Value	96	-----
293,433	226,356	Total Property, Plant and Equipment Net Carrying Amount at Fair Value	293,433	226,356

	PARENT AND CONSOLIDATED				
	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
22. Property, Plant and Equipment Reconciliations					
2007					
Carrying amount at start of year	60,072	102,466	63,818	-----	226,356
Additions	493	4,114	32,254	-----	36,861
Asset Held for Sale	(524)	(559)	-----	-----	(1,083)
Disposals	(419)	-----	(3,806)	-----	(4,225)
Administrative restructures – transfers in (out)	7,185	19,049	36,827	96	63,157
Reclassifications	522	(2,287)	1,765	-----	-----
Depreciation expense	-----	(6,749)	(20,884)	-----	(27,633)
Net Carrying amount at end of year	67,329	116,034	109,974	96	293,433
2006					
Carrying amount at start of year	-----	-----	6	-----	6
Additions	-----	4,654	25,998	-----	30,652
Disposals	(840)	(4,125)	(4,857)	-----	(9,822)
Administrative restructures – transfers in (out)	51,301	68,754	41,672	-----	161,727
Adjustment of depreciation concerning disposals	-----	3,191	4,507	-----	7,698
Net revaluation increment less revaluation decrements recognised in reserves	9,611	31,685	-----	-----	41,296
Depreciation expense	-----	(1,693)	(3,508)	-----	(5,201)
Net Carrying amount at end of year	60,072	102,466	63,818	-----	226,356

Land and Buildings for the Ambulance Service of NSW were revalued by the NSW Department of Commerce, Property Valuation Services as at 31 May 2006.

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		23. Intangible Assets		
		Software		
84,626	70,799	Gross Carrying Amount	84,626	70,799
(33,007)	(24,719)	Less Accumulated Amortisation and Impairment	(33,007)	(24,719)
51,619	46,080	Total Intangible Assets	51,619	46,080
			PARENT AND CONSOLIDATED	
			Software	Total
			\$000	\$000
		23. Intangibles – Reconciliation		
		2007		
		Net Carrying amount at start of year	46,080	46,080
		Additions (from internal development or acquired separately)	13,826	13,826
		Amortisation (recognised in depreciation and amortisation)	(8,287)	(8,287)
		Net Carrying amount at end of year	51,619	51,619
		2006		
		Net Carrying amount at start of year	-----	-----
		Additions (from internal development or acquired separately)	22,445	22,445
		Transfers from Department of Health Parent Entity	23,635	23,635
		Net Carrying amount at end of year	46,080	46,080
			PARENT AND CONSOLIDATED	
			2007	2006
			\$000	\$000
		24. Restricted Assets		
		Category		
2,240	2,277	Specific Purposes	2,240	2,277
2,240	2,277		2,240	2,277
		The assets are only available for application in accordance with the terms and conditions of the donor restrictions.		
		25. Payables		
		Current		
-----	-----	Accrued Salaries and Wages	5,797	3,230
-----	-----	Payroll Deductions	5,274	6,333
34,712	29,994	Creditors	34,712	29,994
-----	196	Refundable Deposits	-----	196
		Other Creditors		
1,119	1,199	– Capital Works	1,119	1,199
1,565	1,793	– Intra Health Liability	1,565	1,793
9,302	-----	– Other	9,302	-----
11,071	9,563	Personnel Service Liability	-----	-----
57,769	42,745		57,769	42,745

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		26. Current/Non Current Borrowings		
		Current		
-----	156	Bank Overdraft	-----	156
3,420	16,555	Loans and Deposits – NSW Department of Health	3,420	16,555
3,420	16,711		3,420	16,711
		Non Current		
3,093	-----	Loans and Deposits – NSW Department of Health	3,093	-----
3,093	-----		3,093	-----
		Repayment of Borrowings (excluding Finance Leases)		
3,420	16,711	Not later than one year	3,420	16,711
3,093	-----	Between one and five years	3,093	-----
6,513	16,711	Total Borrowings at face value (excluding Finance Leases)	6,513	16,711
		27. Provisions		
		Current Employee benefits and related on-costs		
-----	-----	Employee Annual Leave – Short Term Benefit	27,331	28,210
-----	-----	Employee Annual Leave – Long Term Benefit	25,990	12,699
-----	-----	Employee Long Service Leave – Short Term Benefit	6,887	4,272
-----	-----	Employee Long Service Leave – Long Term Benefit	61,260	51,234
121,468	96,415	Provision for Personnel Services Liability	-----	-----
121,468	96,415	Total Current Provisions	121,468	96,415
		Non Current Employee benefits and related on-costs		
-----	-----	Employee Long Service Leave – Conditional	3,716	2,395
-----	-----	Sick Leave	46	121
3,762	2,516	Provision for Personnel Services Liability	-----	-----
3,762	2,516	Total Non Current Provisions	3,762	2,516
		Aggregate Employee Benefits and Related On-costs		
121,468	96,415	Provisions – current	121,468	96,415
3,762	2,516	Provisions – non-current	3,762	2,516
-----	-----	Accrued Salaries and Wages and on costs (Note 25)	11,071	9,563
11,071	9,563	Accrued Liability – Purchase of Personnel Services (Note 25)	-----	-----
136,301	108,494		136,301	108,494
		As indicated in Note 2 a) (i) and (ii) leave is classified as current if the employee has an unconditional right to payment. Short Term/Long Term Classification is dependent on whether or not payment is anticipated within the next twelve months.		
		28. Other Liabilities		
		Current		
2,424	968	Income in Advance	2,424	968
2,424	968		2,424	968

	PARENT AND CONSOLIDATED					
	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
29. Equity						
Balance at the beginning of the financial reporting period	132,058	(364)	41,296	-----	173,354	(364)
Changes in equity – transactions with owners as owners						
Increase in Net Assets from Administrative Restructure	62,708	103,577	-----	-----	62,708	103,577
Correction of Errors	36	-----	(5,481)	-----	-----	(5,481)
Total	194,766	97,732	41,296	-----	236,062	97,732
Changes in equity – other than transactions with owners as owners						
Result for the year	14,181	34,795	-----	-----	14,181	34,795
Correction of Errors	36	-----	(469)	-----	-----	(469)
Increment/(Decrement) on Revaluation of: Land and Buildings	22	-----	-----	41,296	-----	41,296
Total	14,181	34,326	-----	41,296	14,181	75,622
Balance at the end of the financial reporting period	208,947	132,058	41,296	41,296	250,243	173,354

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets. This accords with the Department of Health's policy on the "Revaluation of Physical Non Current Assets" and "Investments", as discussed in Note 2(i).

PARENT			CONSOLIDATED	
2007 \$000	2006 \$000		2007 \$000	2006 \$000
30. Commitments for Expenditure				
(a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets contracted for at balance date and not provided for:				
834	327	Not later than one year	834	327
834	327	Total Capital Expenditure Commitments (including GST)	834	327
(b) Other Expenditure Commitments				
Aggregate other expenditure contracted for at balance date but not provided for in the accounts:				
27,511	3,396	Not later than one year	27,511	3,396
71,760	-----	Later than one year and not later than five years	71,760	-----
33,810	-----	Later than five years	33,810	-----
133,081	3,396	Total Other Expenditure Commitments (including GST)	133,081	3,396
Other Expenditure Commitments principally relate to contracts for the provision of ambulance transports and information technology supplies.				
(c) Operating Lease Commitments				
Commitments in relation to non-cancellable operating leases are payable as follows:				
24,947	18,375	Not later than one year	24,947	18,375
52,345	38,543	Later than one year and not later than five years	52,345	38,543
241	1,383	Later than five years	241	1,383
77,533	58,301	Total Operating Lease Commitments (including GST)	77,533	58,301
The above leases predominantly relate to motor vehicles and premises of the Ambulance Service of NSW.				
(d) Contingent Asset related to Commitments for Expenditure				
The Total "Expenditure Commitments" above includes input tax credits of \$19.223 million for 2006/07 in relation to both Parent and Consolidated entities that are expected to be recoverable from the Australian Taxation Office. The comparatives for 2005/06 are \$5.639 million for both the Parent and Consolidated entities.				

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		31. Contingent Liabilities		
		(a) Claims on Managed Fund		
		Since 1 July 1989, the Ambulance Service of NSW (established as a division of HAC with effect from 17 March 2006) has been a member of the NSW Treasury Managed Fund. Other divisions of HAC are also covered from the time of their inception. The Fund will pay to or on behalf of HAC all sums which it shall become legally liable to pay by way of compensation or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by HAC. As such, since 1 July 1989, apart from the exceptions noted above no contingent liabilities exist in respect of liability claims against HAC. A Solvency Fund (now called Pre-Managed Fund Reserve) was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against HAC.		
		(b) Workers Compensation Hindsight Adjustment		
		Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2000/01 fund year and an interim adjustment for the 2002/03 fund year were not calculated until 2006/07. As a result, the 2001/02 final and 2003/04 interim hindsight calculations applicable to the Ambulance Service of NSW will be paid in 2007/08.		
		32. Reconciliation Of Net Cost Of Services To Net Cash Flows from Operating Activities		
70,522	42,700	Net Cash Flows from Operating Activities	70,522	42,700
(35,920)	(5,201)	Depreciation	(35,920)	(5,201)
(12,777)	(2,948)	Impairment of Receivables	(12,777)	(2,948)
----	(46)	Acceptance by the Crown Entity of Employee Superannuation Benefits	(10,486)	(2,848)
(26,299)	(7,754)	(Increase)/Decrease in Provisions	(26,299)	(7,754)
(83)	236	Increase/(Decrease) in Inventories	(83)	236
34,521	3,302	Increase/(Decrease) in Receivables	34,521	3,302
(3,095)	19,046	Increase/(Decrease) in Prepayments and Other Assets	(3,095)	19,046
(16,560)	(19,431)	(Increase)/Decrease in Creditors	(16,560)	(19,431)
(315,896)	(89,707)	NSW Department of Health Recurrent Allocations	(315,896)	(89,707)
(55,084)	(55,703)	NSW Department of Health Capital Allocations	(55,084)	(55,703)
-----	125	Asset Sale Proceeds transferred to the NSW Department of Health	-----	125
(3,357)	259	Net Gain/(Loss) on Disposal of Non-Current Assets	(3,357)	259
(364,028)	(115,122)	Net Cost of Services	(374,514)	(117,924)
		33. Unclaimed Moneys		
		Consolidated		
		Unclaimed salaries and wages are paid to the credit of the Department of Industrial Relations and Employment in accordance with the provisions of the Industrial Arbitration Act, 1940, as amended.		
		34. Budget Review – Parent and Consolidated		
		Parent and Consolidated		
		Net Cost of Services		
		The actual Net Cost of Services was lower than budget by \$5.6 million, this was primarily due to increased Sale of Goods and Services.		
		Result for the Year		
		The result for the year was favourable by \$2.7 million again reflecting the increased Sale of Goods and Services and a reduction in Capital drawdowns.		
		Assets and Liabilities		
		The variation from Budget is only \$3.3 million for Net Assets		
		Cash Flows		
		Cash increased above budget by \$3.8 million reflecting a combination of Net Cash Flows from Operating Activities (\$4.7 million), decreased cash from Investing Activities \$4.0 million and reduced inflows from Financing Activities (\$3.1 million).		

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Health Administration Corporation's financial assets and liabilities both recognised and unrecognised, at the Balance Sheet date are as follows: (Interest rate risks and effective interest rates are disclosed in Note 2(s)).

PARENT AND CONSOLIDATED

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount as per the Balance Sheet	
	2007		Over 1 to 5 years		More than 5 years		2006			
	\$000	\$000	2007	2006	2007	2006	2007	2006		
Cash	14,962	13,076	14,440	3,620	-----	-----	55	49	29,457	16,745
Receivables	-----	-----	-----	-----	-----	-----	48,619	30,044	48,619	30,044
Other Loans and Deposits – Other	-----	-----	1,763	-----	5,667	506	-----	-----	7,936	-----
Total Financial Assets	14,962	13,076	16,203	3,620	5,667	506	48,674	30,093	86,012	46,789
Financial Liabilities										
Borrowing – Bank Overdraft	-----	156	-----	-----	-----	-----	-----	-----	-----	156
Borrowing – Other	6,513	-----	-----	-----	-----	-----	-----	16,555	6,513	16,555
Payables	-----	-----	-----	-----	-----	-----	57,769	42,745	57,769	42,745
Other	-----	-----	-----	-----	-----	-----	2,424	968	2,424	968
Total Financial Liabilities	6,513	156	-----	-----	-----	-----	60,193	60,268	66,706	60,424

Credit risk is the risk of financial loss arising from another party to a contract/or financial position failing to discharge a financial obligation thereunder.

HAC's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Balance Sheet.

Credit Risk by classification of counterparty.

CONSOLIDATED

Financial Instruments	Governments		Banks		Patients		Other		Total	
	2007		2006		2007		2006			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
Cash	2,932	5,254	26,523	11,488	-----	-----	2	3	29,457	16,745
Receivables	36,390	20,963	-----	-----	9,334	5,907	2,895	3,174	48,619	30,044
Other Loans and Deposits	7,936	-----	-----	-----	-----	-----	-----	-----	7,936	-----
Total Financial Assets	47,258	26,217	26,523	11,488	9,334	5,907	2,897	3,177	86,012	46,789

c) Derivative Financial Instruments

The Health Administration Corporation holds no Derivative Financial Instruments.

36. Prior Period Errors

In 2006/07 the Department of Health determined the need to make allowance for on costs which need to be paid on the settlement of annual leave liability. This resulted in the application of an on cost of 21.7 per cent as reported in Note 2(a).

The provisions of AASB 119, Employee Benefits and Treasury's Financial Reporting Code for Budget Dependent General Government Sector agencies, as pre-existing in 2005/06, recognised the need to include such on costs and therefore the on costs now recognised have been brought to account as "Prior Period Errors". The 2005/06 result was \$5.950 million of which \$5.481 million related to balances transferred in for the Ambulance Service of NSW at 17 March 2006. \$0.469 million relates to the period 17 March 2006 to 30 June 2006 with expenses and revenues being restated accordingly.

37. After Balance Date Events

The Health Infrastructure Office was established with effect from 1 July 2007 as an administrative unit within the Public Health System Support Division of the Health Administrative Corporation and is to be responsible for a broad range of asset services in connection with public health organisations, eg the management and co-ordination of Government approved capital works projects.

END OF AUDITED FINANCIAL STATEMENTS

Independent Audit Report

Health Administration Corporation Special Purpose Service Entity

for the year ended 30 June 2007



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE SERVICE ENTITY

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Health Administration Corporation Special Purpose Service Entity (the Entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Entity as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Director-General's Responsibility for the Financial Report

The Director-General of the Department of Health is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does not provide assurance:

- about the future viability of the Entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



J Kheir BEc, FCPA
Director, Financial Audit Services

3 December 2007
SYDNEY

Certification of Accounts

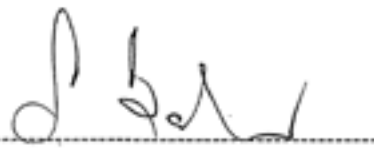
Health Administration Corporation Special Purpose Service Entity

for the year ended 30 June 2007

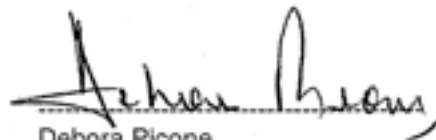
CERTIFICATE OF ACCOUNTS

Pursuant to Section 45(F) of the Public Finance and Audit Act 1983 (the Act), we state that:

- (i) The attached financial statements of the Health Administration Corporation (HAC) Special Purpose Service Entity for the year ended 30 June 2007 have been prepared in accordance with the requirements of applicable Australian Accounting Standards, the requirements of the Public Finance and Audit Act 1983, and its regulations and Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act and the requirements of the Health Administration Act 2000, and its regulations.
- (ii) The financial statements present fairly the financial position and transactions of the HAC Special Purpose Service Entity.
- (iii) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Ken Barker
Chief Financial Officer



Debora Picone
Director-General

29 November 2007

Income statement

Health Administration Corporation Special Purpose Service Entity

for the year ended 30 June 2007

	2007 \$000	2006 \$000
INCOME		
Personnel Services	361,380	85,302
Acceptance by the Crown Entity of Employee Superannuation Benefits	10,486	2,802
Total income 371,866	88,104	
EXPENSES		
Salaries and Wages	288,393	66,854
Superannuation – Defined Benefit Plans	10,486	2,802
Superannuation – Defined Contributions	17,192	3,714
Long Service Leave	10,640	2,355
Annual Leave	32,819	8,258
Redundancy	10	12
Workers Compensation Insurance	12,171	3,502
Fringe Benefits Tax	155	607
Total Expenses	371,866	88,104
RESULT FOR THE YEAR -----	-----	

The accompanying notes form part of these Financial Statements

Statement of recognised income and expenses

Health Administration Corporation Special Purpose Service Entity

for the year ended 30 June 2007

	2007 \$000	2006 \$000
Opening Equity	-----	-----
Result for the Year	-----	-----
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	-----	-----

The accompanying notes form part of these Financial Statements

Balance sheet

Health Administration Corporation Special Purpose Service Entity

as at 30 June 2007

	Notes	2007 \$000	2006 \$000
ASSETS			
Current Assets			
Receivables	2	132,539	105,978
Total Current Assets		132,539	105,978
Non-Current Assets			
Receivables	2	3,763	2,516
Total Non-Current Assets		3,763	2,516
Total Assets	136,302	108,494	
LIABILITIES			
Current Liabilities			
Payables	3	11,071	9,563
Provisions	4	121,468	96,415
Total Current Liabilities		132,539	105,978
Non-Current Liabilities			
Provisions	4	3,763	2,516
Total Non-Current Liabilities		3,763	2,516
Total Liabilities		136,302	108,494
Net Assets		-----	-----
EQUITY			
Accumulated funds		-----	-----
Total Equity	-----	-----	

The accompanying notes form part of these Financial Statements

Cash flow statement

Health Administration Corporation Special Purpose Service Entity

for the year ended 30 June 2007

	2007 \$000	2006 \$000
NET CASH FLOWS FROM OPERATING ACTIVITIES	-----	-----
NET INCREASE/(DECREASE) IN CASH	-----	-----
Opening Cash and Cash Equivalents	-----	-----
CLOSING CASH AND CASH EQUIVALENTS	-----	-----

The Special Purpose Service Entity does not hold any cash or cash equivalent assets and therefore there are nil cash flows.

The accompanying notes form part of these Financial Statements

Notes to and forming part of the Financial Statements

Health Administration Corporation Special Purpose Service Entity

for the year ended 30 June 2007

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Health Administration Corporation (HAC) Special Purpose Service Entity is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the Public Sector Employment and Management Act 2002 and amendment of the Health Services Act 1997 in respect of the Ambulance Service of NSW, HealthTechnology, the NSW Institute of Medical Education and Training and HealthSupport. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts.

The Entity's objective is to provide personnel services to HAC.

The Entity commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of HAC which at that time included the Ambulance Service of NSW, HealthTechnology and the NSW Institute of Medical Education and Training. The HealthSupport unit was established on 1 November 2005 to provide Health Services with financial, payroll, linen, food and other services. Because of the limited extent of its operation in 2005/06 Treasury provided approval for HAC to commence reporting of HealthSupport in the 2006/07 year.

The financial report was authorised for issue by the Chief Executive on 29 November 2007.

(b) Basis of preparation

This is a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, the requirements of the Health Services Act 1997 and its regulations including observation of the Accounts and Audit Determination.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations.

The accrual basis of accounting has been adopted in the preparation of the financial report, except for cash flow information.

Management's judgements, key assumptions and estimates are disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Comparative information

Comparative information for the previous year is from 17 March 2006 to 30 June 2006.

(d) Income

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- ▶ the amount of GST incurred by the Special Purpose Service Entity as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- ▶ receivables and payables are stated with the amount of GST included.

(f) Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the income statement. Receivables are monitored during the year and bad debts are written off

against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

(g) Payables

Payables include accrued wages, salaries, and related on costs (such as payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A short-term payable with no stated interest rate is measured at historical cost if the effect of discounting is immaterial.

(h) Employee benefit provisions and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as fringe benefits tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short-Term" or "Long-Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short-Term". On costs of 21.7 per cent are applied to the value of leave payable at 30 June 2007 inclusive of the 4 per cent award increase payable from 1 July 2007, such on costs being consistent with actuarial assessment.

Long Service Leave provisions are measured on a short hand basis at an escalated rate of 8.1 per cent inclusive of the 4 per cent payable from 1 July 2007 for all employees with five or more years of service. Actuarial assessment has found that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

The superannuation expense for the financial year is determined by using the formulae specified by the NSW Department of Health. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The HAC Special Purpose Entity accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee entitlements and other liabilities".

Any liability attached to Superannuation Guarantee Charge cover is reported in Note 3, "Payables".

Consequential to the legislative changes of 17 March 2006 no salary costs or provisions are recognised by the Parent Entity beyond that date.

- (i) Accounting Standards issued but not yet effective "AASB-2007.04, Amendments to Australian Accounting Standards arising from ED151 and other amendments, has application for accounting periods commencing on or after 1 July 2007. The standard is not being early adopted in 2006/07 and the new options available in the standard will not be applied. AASB123, Borrowing Costs, has application in reporting years beginning on or after 1 January 2009. The Standard, which requires capitalisation of Borrowing Costs has not been adopted in 2006/07 nor is adoption expected prior to 2009/10. AASB101, Presentation of Financial Statements, has reduced the disclosure requirements for various reporting entities. However, In not for profit entities such as the HAC Special Purpose Service Entity there is no change required. AASB7 Financial Instruments: Disclosures locates all disclosure requirements for financial instruments within the one standard. The Standard has application for annual reporting periods beginning on or after 1 January 2007. The Standard will not be early adopted and has no differential impact."

	2007 \$000	2006 \$000
2. Current/Non Current Receivables		
Current		
Accrued Income – Personnel Services Provided	132,539	105,978
Total Current Receivable 132,539	105,978	
Non Current		
Accrued Income Personnel Services Provided	3,763	2,516
Total Non Current Receivable 3,763	2,516	
3. Payables		
Current		
Accrued Salary and Wages	5,797	3,230
Payroll Deductions	5,274	6,333
Total Current Payables	11,071	9,563
4. Provisions		
Current Employee benefits and related on-costs		
Employee Annual Leave – Short-Term Benefit	27,331	28,210
Employee Annual Leave – Long-Term Benefit	25,990	12,699
Employee Long Service Leave – Short-Term Benefit	6,887	4,272
Employee Long Service Leave – Long-Term Benefit	61,260	51,234
Total Current Provisions 121,468	96,415	
Non Current Employee benefits and related on-costs		
Employee Long Service Leave – Conditional	3,717	2,395
Employee Sick Leave	46	121
Total Non Current Provisions 3,763	2,516	
Aggregate Employee Benefits and Related On-costs		
Provisions – current	121,468	96,415
Provisions – non-current	3,763	2,516
Accrued Liability, Purchase of Personnel Services (Note 3)	11,071	9,563
	136,302	108,494

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The HAC Special Purpose Entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised, at the Balance Sheet date are as follows:

Floating interest rate	Fixed interest rate maturing in:						Total carrying amount as				
	1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		per the Balance Sheet		
2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	
5. Financial Instruments											
(a) Interest Rate Risk											
Financial Assets											
Receivables								136,302	108,494	136,302	108,494
Total Financial Assets								136,302	108,494	136,302	108,494
Financial Liabilities											
Payables								11,071	9,563	11,071	9,563
Total Financial Liabilities								11,071	9,563	11,071	9,563

Weighted average effective interest rate is not applicable for non interest bearing financial instruments.

Credit risk is the risk of financial loss arising from another party to a contract/or financial position failing to discharge a financial obligation thereunder. The HAC Special Purpose Entity's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Balance Sheet.

Credit Risk by classification of counterparty.

CONSOLIDATED

	Governments		Banks		Patients		Other		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(b) Credit Risk										
Financial Assets										
Receivables	136,302	108,494								
Total Financial Assets	136,302	108,494							136,302	108,494

(c) Derivative Financial Instruments

The HAC Special Purpose Entity holds no Derivative Financial Instruments.

6. Prior Period Errors

"In 2006/07 the Department of Health determined the need to make allowance for on costs which need to be paid on the settlement of annual leave liability. This resulted in the application of an on cost of 21.7 per cent as reported in Note 1(h).

The provisions of AASB 119, Employee Benefits and Treasury's Financial Reporting Code for Budget Dependent General Government Sector agencies, as pre-existing in 2005/06, recognised the need to include such on costs and therefore the on costs now recognised have been brought to account as "Prior Period Errors". The increase in the leave provision was fully offset by an increase in Receivables and the adjustment had no effect on Equity."

7. After Balance Date Events

The Health Infrastructure Office was established with effect from 1 July 2007 as an administrative unit within the Public Health System Support Division of the Health Administration Corporation and is to be responsible for a broad range of asset services in connection with public health organisations, eg the management and co-ordination of Government approved Capital Works projects. The range of personnel services provided by the HAC Special Purpose Service Entity will be extended to the Health Infrastructure Office.